

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 3193 – SB 3125

April 6, 2010

SUMMARY OF AMENDMENT (015893): Amends Section 4 of the original bill. Requires local education agencies (LEAs) to pay a percentage of health insurance premiums for support staff employees at a level set by the General Assembly. Changes the effective date of this provision to January 2012. Requires that the thresholds for LEA payment of premium payments for support staff be no greater than 10 percent in calendar year 2012, no greater than 15 percent in calendar year 2013, no greater than 20 percent in calendar 2014, and no greater than 25 percent in calendar year 2015.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures - \$911,200/FY11-12 and Subsequent Years*

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 31, 2010, we issued a corrected fiscal memorandum for this amendment indicating an *increase in local expenditures exceeding \$239,000/FY11-12 and Subsequent Fiscal Years*. On April 6, we received additional information from the Department of Finance and Administration regarding this amendment. The fiscal impact was in error and has been corrected.

(CORRECTED)

**Increase Local Expenditures – Exceeds \$49,100/FY11-12 and Subsequent
Years***

HB 3193 – SB 3125 (CORRECTED)

Assumptions applied to amendment:

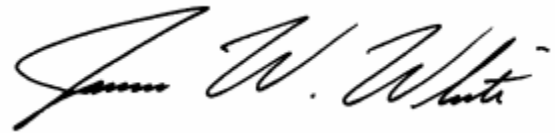
- According to data provided by the Department of Finance and Administration, approximately 21 LEAs would be impacted if the threshold payment was set at 10 percent. Five LEAs currently do not provide access to health care insurance for their support staff.
- Of the 21 LEAs, it is unknown how many of these will still be lower than the 10 percent threshold payment in January 2012 and lower than the other minimum threshold payments each calendar year thereafter per the amendment.
- The five LEAs that do not provide health insurance support to their staff are used as the benchmark since it is assumed these LEAs will continue this practice.
- According to data provided by the Department of Finance and Administration, the five LEAs that do not provide health insurance for their support staff have approximately 156 support staff employees. Based on this data, approximately 42 percent of those (66) will enroll in an insurance plan.
- Of those 66 employees, participation will be split between the family plan and an individual plan with approximately 80 percent (53) enrolling in the individual plan and approximately 20 percent (13) enrolling in the family plan.
- Based on the state LEA PPO monthly premiums, the monthly premium for the individual plan is approximately \$479 and approximately \$1,195 for the family plan.
- Annual total cost for the PPO individual plan is approximately \$5,748 ($\479×12).
- Annual total cost for the PPO family plan is approximately \$14,340 ($\$1,195 \times 12$).
- Total annual cost for the 53 individual enrollees will be approximately \$304,644 ($\$5,748 \times 53$).
- Total annual cost for the 13 family enrollees will be approximately \$186,420 ($\$14,340 \times 13$).
- In January 2012, the five LEAs will pay 10 percent of the total cost for each plan. Employees will pay approximately 90 percent.
- Total cost for the five LEAs to pay 10 percent of the individual enrollees' premium will be approximately \$30,464 ($\$304,644 \times 10\%$). The total cost for the five LEAs to pay 10 percent family plan enrollees' premium will be approximately \$18,642 ($\$186,420 \times 10\%$).
- Total increase in local expenditures for the five LEAs will be approximately \$49,106 ($\$18,642 + \$30,464$).
- It is estimated that in January 2012 and subsequent calendar years, LEAs will increase expenditures by at least \$49,106.
- The exact increase in expenditures will be determined by the number of LEAs that are below 10 percent in calendar year 2012 and below the other minimum threshold levels in calendar year 2013 and subsequent years.

- LEAs that are currently not providing health care support to support staff or not providing minimum thresholds of support are spending the BEP money they are getting for that component on some other program. In calendar year 2012 and subsequent years, LEAs will increase expenditures instead of cutting services in some other area.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized initial "J".

James W. White, Executive Director

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